The International Engineering (IEC)

Company Initiation

Outperform (16E TP Bt0.032)

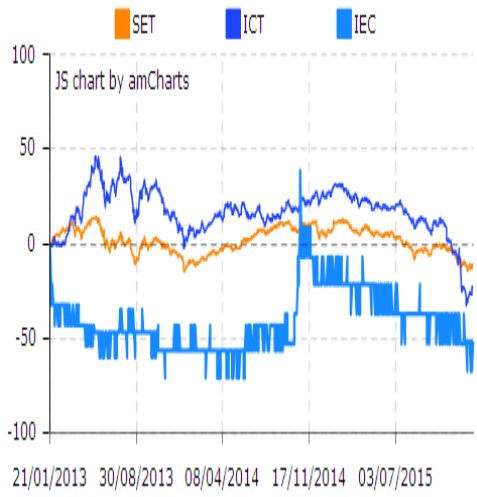
Close Bt0.03

ICT

January 25, 2016

Climbing up the learning curve

Price Performance (%)



Source: SET Smart

	FY15	FY16
Consensus EPS (Bt)	0.48	1.20
KT ZMICO vs. consensus	0.0%	0.0%

Share data

Reuters / Bloomberg	IEC.BK/IEC TB
Paid-up Shares (m)	180,795.93
Par (Bt)	0.01
Market cap (Bt bn / US$ m)	5.00/149.00
Foreign limit / actual (%)	49.00/0.47
52 week High / Low (Bt)	0.06/0.02
Avg. daily T/O (shares 000)	365,781.00
NVDR (%)	1.21
Estimated free float (%)	98.59
Beta	-1.42
URL	www.iec.co.th
CGR	
Anti-corruption	Level 2 (Declared)

Expecting solid earnings recovery

After struggling for many years, IEC is set to recover in both the renewable energy business and the new recycled plastic business. We conservatively forecast net profit of Bt165mn and Bt515mn in 16E and 17E, which means EPS growth of 1,320% and 213%. We assign an Outperform rating on the stock as our 16E fair valuation suggests upside of around 8%, 47% higher than the RO price at Bt0.022/share.

GIDEC to go full steam this year

GIDEC has been through a state-of-the-art technology improvement and is expected to operate at an efficient level this year. The waste feeding line has been improved so that MSW is converted into RDF before feeding into the furnace. The gasification system has also been improved to decrease pollution to an eco-friendly level. A small gasification system with capacity of 500kW will be installed to enhance its capacity. We expect GIDEC to generate Bt25mn and Bt90mn to IEC's bottom line in 16E and 17E.

SK1 started operations after a long overhaul

After a long overhaul for system improvement, a biomass power plant in Sakaeo "SK1" will start operations in 1Q16. We expect that its utilization will stay around 50% this year before going up to 85% next year. SK1 should contribute around Bt11.5mn and Bt41mn to net profit in 16E and 17E.

Kick-starting recycled plastic plant…a high-margin business

IEC will kick-start its recycled plastic plant in Rayong. The plant now consists of six production lines, which can produce around 120 tons of plastic pellets per day. IEC targets to add another 12 lines – nine at the same plant and three in Songkhla. This business will help boost IEC's net profit this year and next as it has a very high margin. Management expects a net profit margin of around 30% to 50%.

Potential upside from biogas

IEC is planning to start an Integrated Gas Hub and is working this out with some listed energy companies. It targets to develop biogas plants in several provinces and is now in the process of acquiring the first plant in Kamphangphaet. We have not included this business in our projections and TP and leave it as potential upside in the future.

Financials and Valuation

FY Ended 31 Dec	2013	2014	2015E	2016E	2017E
Revenues (Bt mn)	444	460	464	765	1,377
Net profit (Bt mn)	88	13	10	165	515
EPS (Bt)	0.011	0.000	0.000	0.001	0.003
EPS growth (%)		-99.1%	-43.0%	1,320.1%	213.1%
Dividend (Bt)	0.00	0.00	0.00	0.00	0.00
BV (Bt)	0.00	0.02	0.02	0.02	0.02
FY Ended 31 Dec	**2013**	**2014**	**2015E**	**2016E**	**2017E**
PER (x)	2.73	300.0	526.7	37.09	11.85
EV/EBITDA (x)	-50.48	2,130.26	-4,159	13.40	6.31
PBV (x)	21.59	1.73	1.57	1.49	1.32
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
ROE (%)	9.3%	0.6%	0.3%	4.6%	12.5%
Net Gearing (%)	3%	6%	19%	-2%	-14%

Anapat Wanuschaiyapruk
Analyst, no. 57076
anapatw@ktzmico.com
66 (0) 2624-6289

Valuation and Investment Theme

Target price at Bt0.032…keep eyes on potential upside

We forecast IEC's performance assuming status quo business activities, which include 1) MSW power plant "GIDEC"; 2) a biomass power plant "SK1"; 3) three solar farms with total installed capacity and PPA of 11.3MW and 9.09MW, respectively; and 4) recycled plastic plants. IEC should recover from low profitability in 2015 as it faced difficulties to efficiently run GIDEC and SK1. Net profit in 2015 is estimated at around Bt10mn with the help from solar farm operations. We estimate net profit of Bt165mn and Bt515mn in 2016 and 2017, increasing 1,498% and 213%% from the recovery of GIDEC and SK1 and the kickoff of the recycled plastic business. IEC's share price has normally moved in a range of Bt0.02 – Bt0.03, which causes 16E PER to vary widely between 24.73x and 37.09x. Given 17E earnings growth of 213%, it is now trading at PEG of only 0.12x.

Our 16E target price at 0.032 (or market capitalization of Bt6,593mn) is based on FCFF DCF valuation using 9.7% WACC. It already includes the dilution effect from Rights Offering at 8-to-1 with an ex-price of Bt0.022/share in February. Our TP provides 8% upside from the market price and 47% from the RO price.

Figure 1: DCF valuation

	2016E	2017E	2018E	2019E	2020E
NOPAT	410	839	905	973	1,028
- Capital expenditures	(80)	(80)	(80)	(80)	(80)
- Change in working capital	(30)	(60)	(13)	(13)	(11)
Free cash flow to firm (FCFF)	301	699	812	880	936

NPV of FCFF during adjustment period	6,737	Market risk premium	9.5%
NPV of Terminal Value	0	Beta	1
Less: net interest-bearing debt	143	Terminal growth rate	0%
Equity value	6,593	Cost of equity	14.5%
No. of shares outstanding (mn)	203,395	Targeted D/E	1.0
Value per share (Bt)	0.0324	WACC	9.7%

Source: KT ZMICO Research

Better-than-expected recycled plastic will provide upside

As it is a new business for IEC, we use rather conservative assumptions for the recycled plastic business. We assume six production lines in 2016, which is what is now running at the Rayong plant, and 18 production lines in 2017. IEC is aiming to increase total production lines in Rayong to 15 and add another three in Hat Yai. For the utilization rate, we assume 60% and 50% in 2016 and 2017 as it is still in the early stage of operation. The utilization should continue to increase to 80% in the long term. Based on our model, every 1% increase in the utilization rate will boost net profit in 16E and 17E by 1.4% and the 16E TP by 1%. There is also potential upside from more production lines of recycled plastic from other provinces, which we still do not include in our estimates.

Biogas as potential upside

IEC is in the process of acquiring 100% of Thaworn Energy (TE), which owns a 5.8MW biogas power plant completed in Nov'15. The plant uses energy crop as feedstock into the two gas lagoons. They can produce biogas up to 60,000 cubic meters per day, which is enough for electricity generating capacity of 6MW. IEC expects to join FiT bidding when the regulator is ready. IEC already paid Bt40mn to secure a share purchase agreement. The acquisition will continue if TE can get PPA from the PEA.

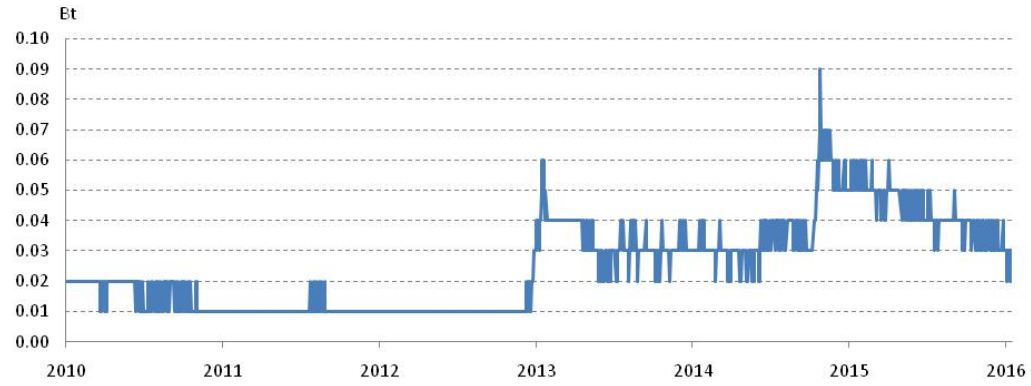
Apart from power produced from the plant, the management aims to sell biogas for industrial use in order to mitigate the risk from delayed bidding. IEC expects to build three more biogas plants in Suphanburi, Hat Yai, and Rayong. However, it's still too early to estimate this business unit in a reasonably accurate fashion. Management said that they will initiate an Integrated Gas Hub project with a targeted investment cost of Bt4,000mn. Since the total cost is enormous compared to IEC's financial capability, it is now seeking partnerships with the likes of PTT and Bangchak Petroluem. However, since IEC has not yet completed the acquisition of TE, we leave the biogas business as potential upside in the future.

Figure 2: Peer comparison

NAME	Rating	TP	Price	EPS adjusted			PER (x)			Dividend Yield (%)		ROE (%)		15E
				14A	15E	16E	14A	15E	16E	15E	16E	15E	16E	PEG
GUNKUL	O/P	24.75	23.50	0.59	0.72	0.98	39.9	32.8	24.1	0.2	0.2	17.5	17.4	0.5
DEMCO	U/P	11.40	7.05	0.51	1.00	1.03	13.7	7.1	6.8	5.0	5.7	18.6	16.0	0.2
SPCG	U/P	30.50	20.20	1.79	2.50	2.61	11.3	8.1	7.8	4.5	4.7	35.2	29.7	0.4
TPCH	U/P	18.80	14.50	0.09	0.10	0.77	161.1	142.7	18.9	1.1	2.8	2.4	16.7	0.7
Average							**56.5**	**47.7**	**14.4**	**2.7**	**3.4**	**18.4**	**20.0**	

Source: Bloomberg, KT ZMICO Research

Figure 3: IEC's share price during 2010 – 2015



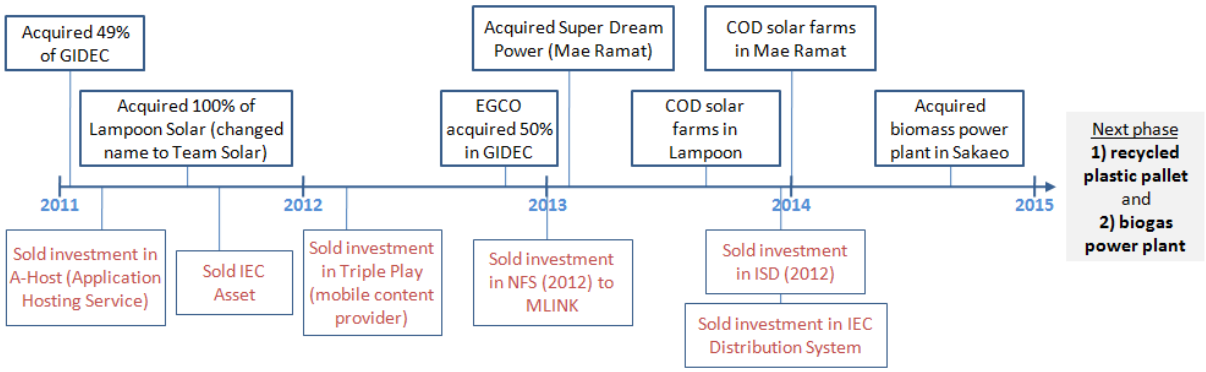
Source: IEC

Company Background

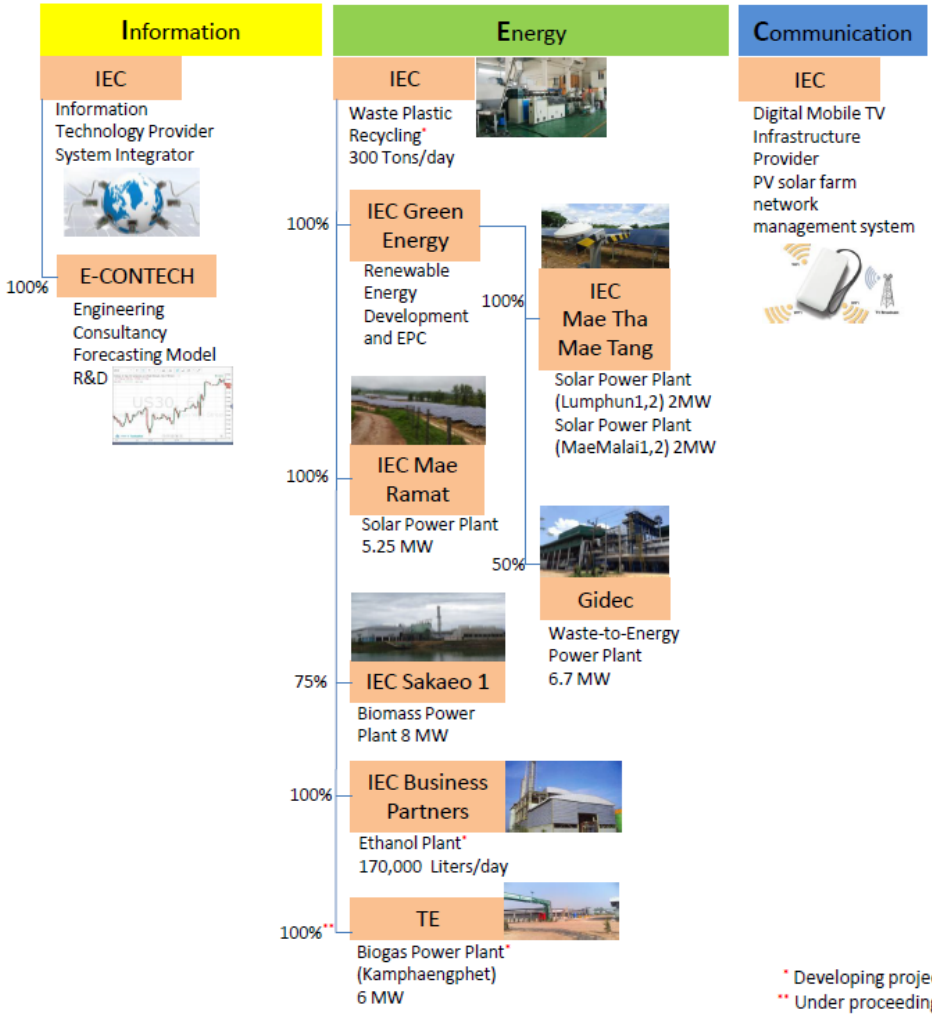
In the beginning of 2011, IEC started transforming its company from ICT to the power business. In the ensuing years, it has acquired many renewable energy projects including 1) 50% of GIDEC, which is a waste-to-energy power plant in Hat Yai; 2) 100% of Team Solar, which has developed four solar farms in the northern region; and 3) a biomass power plant in Sa Kaeo Province. In the same period of time, IEC sold several subsidiaries related to the ICT business, causing the revenue portion to shrink to 9% in 3Q15.

Figure 4: IEC's business

A) Business transformation timeline



B) Business structure



Source: IEC, KT ZMICO Research

GIDEC

IEC holds 50% of GIDEC while the other half is held by EGCO. GIDEC operates a Municipal Solid Waste (MSW) power plant in Hat Yai, Songkhla Province, with a Power Purchase Agreement of 6.2MW. Currently, GIDEC is running at capacity of 4.5MW with a target to ramp up to 5.0MW in 1Q16 and at contracted capacity in the long run. The project receives an Adder of Bt3.5/kWh for seven years. It has a 25-year landfill contract with Hat Yai municipality to feed the power plant.

Back in 2013, GIDEC's power plant was built using European standards. This has not worked well for MSW in Thailand, as waste that cannot be burned, such as plastics, food, glass, bricks, and even mattresses and tires, needs to be removed by hand. Moreover, waste in Hat Yai is too high in moisture due to its high food composition and the long rainy period, making it unsuitable for feeding into the furnace. From time to time, the community has complained about pollution emissions, specifically bad smell from waste and toxic smog when the plant is operating. After Dr. Bhusana took a management position, GIDEC changed dramatically, with enhancement of waste management and the power plant system.

For waste management, a system has been implemented so that MSW is converted into Refuse-Derived Fuel (RDF). The power plant system has been improved to reduce pollution emitted into the surrounding community. The furnace originally burned at a temperature between 800 and 900 degrees Celsius, which was inadequate for disposing of toxic components. The system has been upgraded to burn at a temperature of more than 1,100 degrees Celsius to solve the toxic problem.

The company is installing a small gasification system with capacity of 500kW, which is expected to be completed in 1Q16. The system is a collaboration between IEC, KMUTT, and Imperial College London. The total installment cost is Bt125mn with 14.19% project IRR and a seven-year payback period.

Figure 5: GIDEC

Source: IEC

Recycled plastic pellets

IEC has a plastic recycling factory located in Rayong. The plant now has six production lines while the management aims to increase this to 15 lines. With capacity of 20 tons per line, the factory is now producing 120 tons of recycled plastic per day. IEC has a contract to buy 1,000 tons of waste per day from On-nuch landfill at a price of Bt200/ton.

Apart from the current six lines, IEC is looking to expand as follows: 1) another nine production lines at the same factory; 2) three lines in Hat Yai, where it already has a waste management operation; 3) two lines in other provinces.

The management has estimated that a ton of recycled plastic can be sold at around $400 (approximately Bt14,000). The total cost of Bt4,000 – Bt5,000 per ton consists of raw material, electricity, and transportation. The net margin is expected in a range of 30% - 50%.

However, expanding this business unit necessitates securing more landfills. IEC has currently secured two landfills in operation – one in Hat Yai for GIDEC and one in On-nuch for the existing recycled plastic operation. Still, securing landfills for this business is rather difficult. Most landfills belong to Subdistrict Administrative Organizations (SAO), which cannot make contracts longer than three years. Given that the project payback is usually seven years, financial institutions see high risk due to the mismatching of the timelines. One way around this is to look for landfills with a sufficient amount of waste that can cover the whole payback period.

IEC is now working to secure two landfills in Chon Buri and Rayong. One site is in Ban Bueng district, Chon Buri, where IEC has to sign an MOU with more than ten SAOs. The company will pay around Bt200/ton to buy waste. Another site is near an industrial site but IEC will not have to pay for obtaining the plastic waste. However, the development is still in the early stage.

Figure 6: Recycled plastic factory in Rayong

Source: IEC

Biomass power plant

In September 2014, IEC acquired 75% of Kaewlumduan Powersupply, which has operated a 9.6MW biomass power plant in Sa Kaeo since April 2013. The power plant uses wood chips, wood bark, bagasses, and palm waste as fuel. The PPA of 8MW receives an Adder of Bt0.30/kWh for seven years. Kaewlumduan Powersupply later changed its name to IEC Sakaeo 1 (SK1).

SK1 has been running at around 7.5MW so far. However, its main problem is with rising feed prices, which increased dramatically after the Feed-in Tariff (FiT) scheme was implemented. SK1 uses woodchips and palm as fuel. The price of woodchips has skyrocketed from Bt500/ton to Bt1,200/ton and palm has risen from Bt50/ton to Bt750/ton, resulting in declining project cash flow.

The SK1 plant has now gone through a major improvement so that it can use wood bark, the cheapest source of fuel, at the most efficient level. The company also plans to use RDF for this plant and eventually turn it into a waste-to-energy power plant, which will receive a higher selling price of electricity.

Figure 7: Biomass power plant in Sa Kaeo (SK1)

Source: IEC

Solar farms

IEC owns three solar farms, which have total PPA of 9MW. The biggest site is in Mae Ramat district, Tak Province. The site has installed capacity of 6.3MW and PPA of 5.25MW. The other two sites are in Lamphun and Chiang Mai, with equal installed capacity and PPA of 2.3MW and 1.9MW, respectively. The farms receive a selling price equal to the base tariff plus Ft and an Adder of Bt8.00/kWh for 10 years. A tax exemption from the BOI is also applied.

New partnership: Yunnan Water Investment

IEC has just announced that a new partner, "Yunnan Water Investment" (YWI), will join with it for investment in waste-to-energy projects. YWI is an SOE in Yunnan, China, and was listed in the Hong Kong exchange in May of last year. In November, YWI acquired the whole stake of a waste-to-energy power plant in Phuket for Bt2,500mn. The collaboration will include the following:

- Expansion of GIDEC for another 3MW
- MSW power plant in Ban Bueng; IEC already signed contracts with SAOs and it will have waste of 480 tons/day
- MSW power plant in Nonthaburi, which is waiting for bidding
- MSW power plant in Phatthalung, which has waste of around 250 tons/day

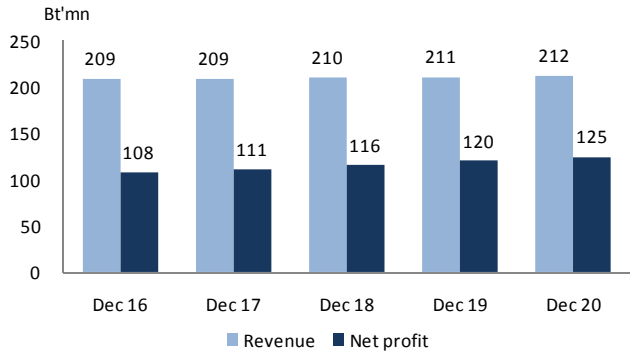
The partnership with YWI will help IEC in terms of funding as the company has struggled obtaining bank loans.

Earnings Prospects

Solar farms help ease loss from GIDEC and SK1 in 15E

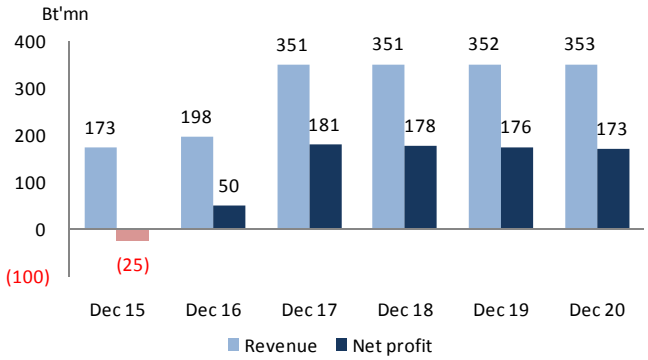
Last year, IEC still found it difficult to run GIDEC and SK1 at a profit. The management has estimated a net loss of Bt25mn for GIDEC this year while the long overhaul of SK1 will also result in a loss of around Bt20mn in 15E, according to our estimate. Its ICT business also made an operating loss of Bt40mn for 9M15. However, the solar farm business will help offset the losses from other businesses. We estimate annual net profit from solar farms of around Bt100mn until 2023 (as shown in Figure 8).

Figure 8: Solar farms' performance forecast



Source: IEC, KT ZMICO Research

Figure 9: GIDEC's performance forecast

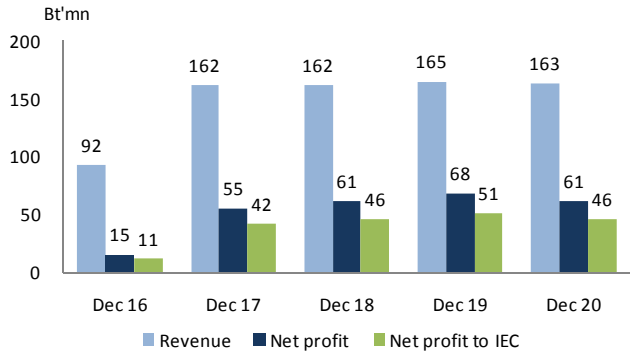


Source: IEC, KT ZMICO Research

Recovery of GIDEC and SK1 as the first growth engine

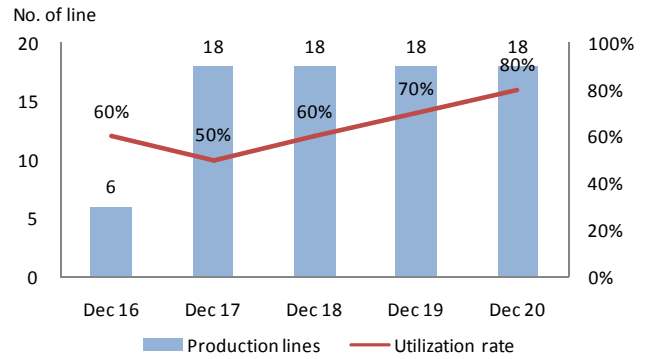
After plant improvements are completed in 1Q16, we expect both GIDEC and SK1 to turn to profit from this year onwards. We estimate that GIDEC will generate net profit of Bt50mn and Bt181mn in 16E and 17E based on our conservative utilization rates of 55% and 85%, respectively. The biomass power plant SK1 should contribute around Bt11.5mn and Bt41.5mn in 16E and 17E. We also apply conservative utilization rates of 50% and 80%, respectively. Note that IEC owns 50% of GIDEC and 75% of SK1 so that net profit shared to IEC is proportionate to ownership.

Figure 10: SK1's performance forecast



Source: IEC, KT ZMICO Research

Figure 11: Assumption on recycled plastic plant

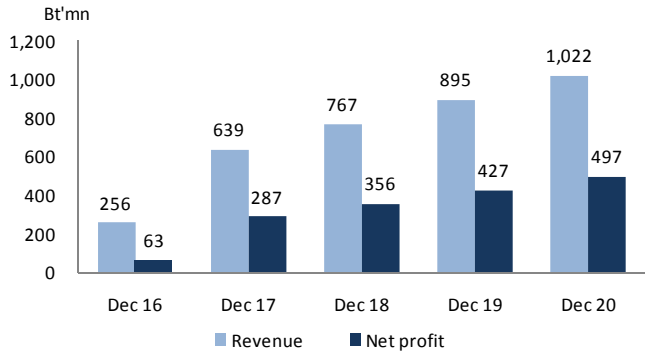


Source: IEC, KT ZMICO Research

Recycled plastic to speed up the growth

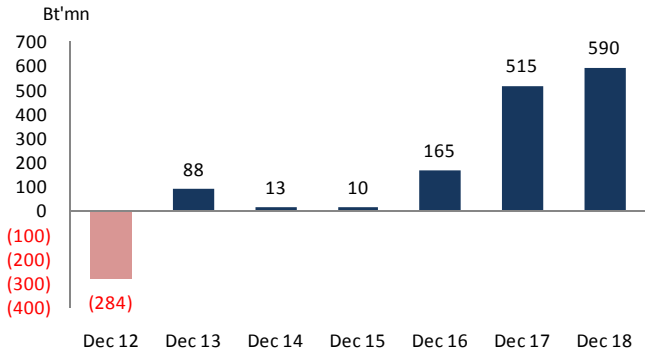
This business has an impressively high margin and is the next potential growth engine for IEC. We assume that the factory with six production lines will produce 18,300 tons of plastic pellets in 16E, based on an assumed utilization rate of 60%. IEC is planning to install another nine lines at the same plant as well as build another plant with three production lines in Songkhla. We assume a utilization rate of 50% in 17E before ramping up to 80% in 20E. We estimate total production of 45,000 tons in 17E. At a price of US$400/ton, this business unit will generate revenue of Bt256mn and Bt639mn and net profit of Bt63mn and Bt287mn in 16E and 17E, respectively.

Figure 12: Recycled plastic plant's performance



Source: IEC, KT ZMICO Research

Figure 13: IEC's net profit



Source: IEC, KT ZMICO Research

Net profit to grow at a high rate in 16E

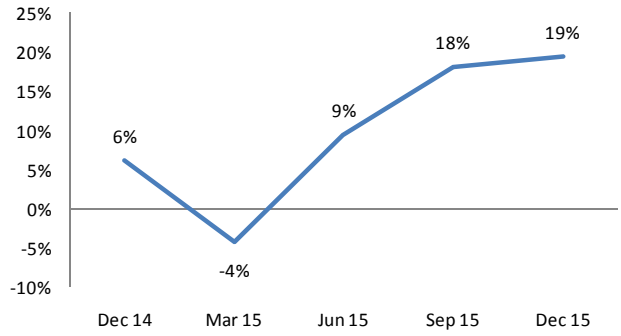
After struggling to turn around the performance in 15, IEC should be able to experience a turnaround as it moves up the learning curve from 16E onward. We estimate net profit to grow 1,497% in 16E and 213% in 17E, respectively.

Financial position

Leverage still low

IEC still has a very low leverage ratio as the company is now operating GIDEC entirely with equity. We believe that debt outstanding of Bt774mn as of Sep'15 was mainly for solar farms and biomass power plants. We expect net gearing ratios of 19% and 1% at the end of 15E and 16E, respectively, based on our assumption of no aggressive expansion. However, IEC is now trying to secure debt financing so that it can proceed according to the business plan. Apart from talking to banks, IEC is working with TRIS rating to do its credit rating, which will allow the company to borrow directly from the capital market.

Figure 14: Net gearing ratio



Source: IEC, KT ZMICO Research

Rights Offering will strengthen its capital

IEC will mobilize equity through a Rights Offering with a ratio of 8-to-1 at an ex-price of Bt0.022/share. The proceeds will be used for investment in projects in the pipeline.

To invest around Bt3,788mn in 2016 - 2017

Total CAPEX of Bt3,788mn is for all the business areas, as shown in Figure 15. The total amount seems excessive for now, given its limited financial capacity to borrow from financial institutions. However, we believe the situation will improve given three conditions: 1) successful capital raising through the Rights Offering; 2) a business turnaround as forecast; and 3) a favorable corporate rating from TRIS. Resolving this issue will also unlock IEC's growth potential.

Figure 15: Future projects 2016 – 2017

Project name	Expected project size (Bt'mn)	Capacity	Expected IRR (%)	Expected payback (year)
RDF projects				
RDF Hat Yai	60	200 tons/day	16.38	6.74
RDF Ban Bueng	30	200 tons/day	18.50	5.10
RDF plants for MSW power plants in the south	122	n.a.	15.38	6.60
RDF from landfill in Nakorn Ratchasima	15	n.a.	15.20	3.67
Waste-to-energy projects				
Additional micro power plant at Hat Yai	125	0.5MW	14.19	5.15
MSW plant in Ban Bueng, Chon Buri	600	6.0MW	17.15	4.52
Biogas				
Kamphaeng Phet	400	5.8MW	16.20	6.70
Hat Yai	104	1.5MW	16.20	6.70
Rayong	197	4.5MW	16.00	4.00
Suphan Buri	900	10.6MW	15.00	4.30
Biomass				
IEC Sakaeo 2	400	8.0MW	16.00	4.20
Other				
Singkhon power resold to Myanmar	35	n.a.	17.04	5.30
Ethanol plant (IECBP), Rayong	800	n.a.	16.0	4.00
Total	3,788			

Source: IEC, KT ZMICO Research

Industry Outlook

Government to push forward waste-to-energy as national agenda

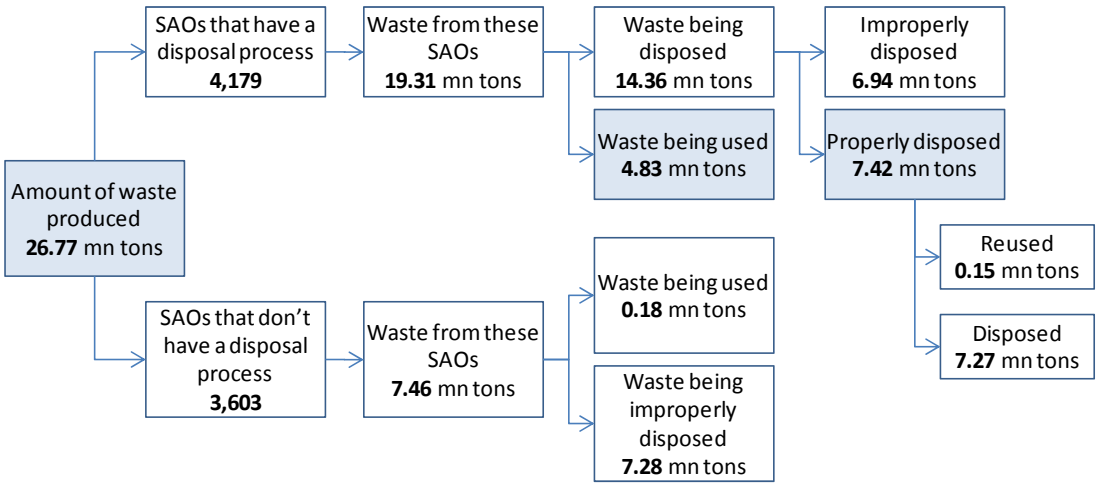
Municipal solid waste has been a crisis in Thailand for several years. According to the Pollution Control Department (PDC), 26.8 million tons of MSW was produced by 77 provinces in 2013. Only 7.4 million tons (28%) were disposed of properly and 4.8 million tons (18%) were utilized. As of 2013, Thailand had accumulated MSW of 19.9 million tons. Without a proper system to deal with the problem, the waste crisis will definitely continue in the future.

The Bangkok metropolitan area produces the highest amount of waste in the country, at almost 12,000 tons per day. This is now shipped out to nearby provinces, including Nakhon Pathom, Samut Prakan, and Chachoengsao, for disposal through concessions with private companies. The PDC further revealed that the top 20 provinces that have serious waste problems include Songkhla, Samut Prakan, Kanchanaburi, Nakhon Si Thammarat, Phetchaburi, Surat Thani, Phetchaburi, Phrae, Prachin Buri, Phra Nakhon Si Ayutthaya, Ranong, Nakhon Phanom, Pattani, Chachoengsao, Roi Et, Lop Buri, Ang Thong, Khon Kaen, Buri Ram, and Chumphon.

Last year, the government took a serious step to deal with the crisis and made it a national agenda. Waste-to-energy is now being promoted with FiT of Bt5.08/kWh plus a Bt0.70/kWh premium for the first eight years. The targeted capacity is at 500MW while only 117MW is in operation. Waste-to-energy was a big story last year, which drove the share prices of many listed companies.

However, we view that waste-to-energy projects are still hard to achieve. First, there is no one-stop service for securing adequate amounts of waste so that plants can run at efficient levels. If operators cannot secure waste from big cities, they have to collect it from many SAOs, requiring a substantial effort. Second, disposing MSW in Thailand can be extremely problematic since there is not an adequate system of MSW management in place, making proper disposal difficult. Unless the government seriously reforms the system, project feasibility will remain low.

Figure 16: Flow of MSW in 2013



Source: Pollution Control Department, KT Zmico Research

Significant opportunities for recycled plastic industry

In 2013, Thailand generated 2.1 million tons of plastic waste but only 38% was recycled. Low efficiency in recycling plastic waste was due to inefficient waste management. However, this is a business opportunity. Recycled plastic has various applications like toys, furniture, or autoparts. Kasikorn Research Center estimated the total market value of recycled plastic in 2014 at Bt23,560mn, growing 14.7% from 2013. It also views that the market still has room to grow due to a low penetration rate. In 2015, it estimated a recycling rate of 40% and the total market value should increase to around Bt27,520mn to Bt28,900mn, growing 16.8% - 22.7% from 2014.

Figure 17: Types of waste and recycling ratings

Types of waste	Total amount (tons)	Amount of waste being recycled (tons)	Proportion of waste being recycled (%)
Paper	4,078,477	2,392,000	58.6
Metal	3,438,205	3,292,500	95.8
Glass	2,548,597	1,363,200	53.5
Plastic	2,082,296	788,700	37.9
Aluminium	547,878	372,500	68.0
Rubber	522,768	231,570	44.3

Source: Kasikorn Research Center

Upside risk/Downside risk

Capacity utilization could be better than expected

For the recycled plastic business, we use a conservative set of assumptions for both the number of production lines and utilization rates. However, the management has a rather aggressive view on this business and expects that it will generate around Bt195mn of profit while our forecast is much lower.

Government may seriously facilitate the development of waste-to-energy projects

There are many issues in developing waste-to-energy projects. Some of these include urban planning law, waste management, adequacy of feed, technology, and bank funding. We do not see a bright future in the renewable energy segment unless the government seriously addresses the issues. Even though the military government has just published a Royal Gazette to exempt urban planning law for renewable energy projects, there are still many issues waiting to be resolved. However, further action from the government side in the future would surely bolster the sentiment of the renewable energy segment.

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FINANCIAL TABLE

PROFIT & LOSS (Btmn)	**2012**	**2013**	**2014E**	**2015E**	**2016E**	**2017E**
Revenues	996	444	460	464	765	1,377
Cost of sales and service	(933)	(396)	(291)	(281)	(367)	(534)
Gross profit	**63**	**48**	**169**	**183**	**398**	**844**
SG&A	(250)	(175)	(217)	(305)	(149)	(153)
EBITDA	**(187)**	**(114)**	**3**	**(1)**	**429**	**911**
Depreciation & amortization	0	(13)	(50)	(120)	(180)	(220)
EBIT	**(187)**	**(127)**	**(48)**	**(121)**	**249**	**691**
Interest expense	(65)	(43)	(15)	(43)	(60)	(50)
Other income / exp.	(37)	231	48	133	20	50
EBT	**(289)**	**61**	**(15)**	**(31)**	**209**	**691**
Corporate tax	0	0	(1)	1	(16)	(72)
Gain (loss) from affiliates	0	0	0	0	0	0
Extra Items	0	0	0	0	0	0
Non-controlling	4	27	29	41	(29)	(104)
Net profit	**(284)**	**88**	**13**	**10**	**165**	**515**
Reported EPS	0.00	0.01	0.000	0.000	0.001	0.003
Core net profit	**(284)**	**88**	**13**	**10**	**165**	**515**
Core EPS	0.00	0.01	0.000	0.000	0.001	0.003
Dividend (Bt)	0.00	0.00	0.00	0.00	0.00	0.00

BALANCE SHEET (Btmn)	**2012**	**2013**	**2014E**	**2015E**	**2016E**	**2017E**
Cash and equivalents	170	378	479	119	723	1,189
Accounts receivable	147	162	312	399	430	494
Inventories	26	141	18	50	50	50
Investment	1	1	1	1	1	1
PP&E-net	993	1,765	2,946	3,926	3,826	3,686
Other assets	153	150	135	135	135	135
Total assets	**1,490**	**2,598**	**3,891**	**4,630**	**5,165**	**5,555**
ST debt & current portion	304	129	71	159	159	159
Accounts payable	112	342	293	312	313	317
Long-term debt	132	293	581	627	499	370
Total liabilities	**1,251**	**930**	**1,031**	**1,185**	**1,058**	**933**
Paid-up shares	6,703	12,002	1,648	1,808	2,034	2,034
Shareholder equity	**239**	**1,667**	**2,860**	**3,445**	**4,107**	**4,622**
Total liab. & shareholder equity	**1,490**	**2,598**	**3,891**	**4,630**	**5,165**	**5,555**

CASH FLOW (Btmn)		**2013**	**2014E**	**2015E**	**2016E**	**2017E**
Net income		61	(15)	(30)	193	620
Non-cash adjustment		(214)	(26)	0	0	0
Depreciation & amortization		13	50	120	180	220
Change in working capital		84	(138)	(100)	(30)	(60)
Cash flow from operations		**(56)**	**(128)**	**(10)**	**344**	**779**
Capex (Invest)/Divest		(725)	(228)	(1,100)	(80)	(80)
Others		(136)	(343)	0	0	0
Cash flow from investing		**(861)**	**(571)**	**(1,100)**	**(80)**	**(80)**
Debt financing (repayment)		(322)	(320)	134	(128)	(128)
Equity financing		1,367	1,191	575	497	0
Dividend payment		0	0	0	0	0
Others		85	(69)	41	(29)	(104)
Cash flow from financing		**1,130**	**802**	**750**	**340**	**(233)**
Net change in cash		208	101	(360)	604	466
Free cash flow		**(918)**	**(700)**	**(1,110)**	**264**	**699**
FCF per share (Bt)		**#DIV/0!**	**(0.00)**	**(0.01)**	**0.00**	**0.00**

PROFITABILITY	**2012**	**2013**	**2014E**	**2015E**	**2016E**	**2017E**
Revenue growth (%)		0.0%	3.6%	1.0%	64.7%	80.1%
EBITDA growth (%)		-39%	-102.4%	-151.2%	-31129.9%	112.4%
EPS growth (%)		n.m.	-99.1%	-43.0%	1320.1%	213.1%
Gross margin (%)	6.3%	10.8%	36.8%	39.5%	52.0%	61.3%
EBITDA margin (%)	-18.7%	-25.7%	0.6%	-0.3%	56.1%	66.1%
Operating margin (%)	-18.7%	-28.6%	-10.4%	-26.2%	32.5%	50.1%
Net margin (%)	-28.5%	19.9%	2.9%	2.2%	21.5%	37.4%
Core profit margin (%)	-28.5%	19.9%	2.9%	2.2%	21.5%	37.4%
Effective tax rate (%)	0.0%	0.0%	-3.9%	2.7%	7.5%	10.4%

Note:
KT ZMICO is a partnership between KTB and ZMICO.
An executive of KT ZMICO Securities is also a board member of BCP, BTC, CI, CPI, KBS, MAJOR, MK, PACE, PSL, SVH, VNG, ZMICO, SAWAD, TFG.
A management member of KT ZMICO Securities is also a board member of BTC and NFC.
KT ZMICO is a financial advisor for U, LOXLEY, SUTHA, ZMICO, MAKRO, CPALL, SAFARI, PACE, PLE, TPOLY, TFG.
KT ZMICO is a co-underwriter of SCI, SR, J, TKN.

Anti-corruption Progress Indicator

- **Level 1 (Committed) :** Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws.
- **Level 2 (Declared) :** Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
- **Level 3 (Established) :** Public out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes
- **Level 4 (Certified) :** Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
- **Level 5 (Extended) :** Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
- **Insufficient or not clearly defined policy**
- **Data not available / no policy**

DISCLAIMER

KT ZMICO RESEARCH – RECOMMENDATION DEFINITIONS

STOCK RECOMMENDATIONS

BUY: Expecting positive total returns of 15% or more over the next 12 months

OUTPERFORM: Expecting total returns between -10% to +15%; returns expected to exceed market returns over a six-month period due to specific catalysts

UNDERPERFORM: Expecting total returns between -10% to +15%; returns expected to be below market returns over a six-month period due to specific catalysts

SELL: Expecting negative total returns of 10% or more over the next 12 months

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.